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C O N F I D E N T I A L BUENOS AIRES 000894

SIPDIS

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TAGS: PREL PGOV ECON EAGR AR
SUBJECT: ARGENTINA TO HOST 35TH MERCOSUR SUMMIT: LIGHT
AGENDA FOR REGIONAL LEADERS

REF: A. BUENOS AIRES 866
 1B. BUENOS AIRES 287

Classified By: Charge d'Affairs T. Kelly. Reasons 1.5 (B,D)

Summary

11. (C) Argentina will host a July 1 Mercosur Summit of member and associate member leaders, preceded by a June 30 Minister-level Mercosur Council meeting. The Summit culminates a lackluster six-month Argentine presidency of Mercosur marked by national preoccupation with turmoil in the domestic agricultural sector and regional preoccupation with Venezuela/Colombia/Ecuador tensions. Paraguay's inability to vote in the Mercosur Council on measures of substance during its post-election transition offers the GoA a convenient cover for a less-than-ambitious Summit agenda. Few substantive measures are set to be adopted other than the extension of Mercosur member-nation citizen free-transit rights to associate member nations and a Mercosur/Chile service sector trade accord. The EU's adoption of the "Return Directive" harmonizing European immigration norms will also be discussed and a communique released condemning its "discriminatory provisions." Public and media attention here will likely focus on bilateral meetings between heads of state, a planned rally organized by pro-government community activist ("piquetero") and union groups at which Hugo Chavez is expected to speak, and anticipated Argentine farmer protests. The government hopes to divert attention from farmer protests by highlighting a GoA-sponsored contemporaneous Social Productivity Summit that will gather vetted small business, NGO, and trade union organizations.
End Summary.

Argentina Hosts 35th Mercosur Summit July 1

12. (SBU) On July 1, Argentina will host the 35th Mercosur Summit in historical San Miguel de Tucuman, Tucuman province, the city where Argentina formally declared its independence in 1816. Heads of State of Mercosur member nations Brazil (Lula de Silva), Paraguay (President Nicanor Duarte Frutos and possibly President-elect Fernando Lugo), Uruguay (Tabare Vazquez), and acceding member Venezuela (Hugo Chavez) are slated to attend, along with heads of state or representatives of associate members Chile (we are told by the Foreign Ministry that Bachelet has confirmed), Bolivia, Colombia, Ecuador, and Peru.

3 (C) The Summit, which will be preceded on June 30 by a Economy and Foreign Minister-level meeting of the Mercosur Council, is expected to offer a high-profile opportunity for Argentine farmers to raise their grievances over GoA

intransigence on export tariffs (Ref A) to a wider audience of regional heads of state. A related "Summit of Popular Organizations for Sovereign Integration" has been organized for June 27-29 in Tucuman, with such panels as "Strategies of North American Intervention and Local Resistance: From Plan Condor to Plan Colombia." Pro-government piquetero groups and unions are organizing a rally for July 1, at which Hugo Chavez is expected to be the featured speaker. Piquetero leader and national legislator Edgardo Depetri is quoted as stating that Chavez will seek to deepen regional integration and that at the rally they plan to denounce the attempts to destabilize Evo Morales.

¶14. (C) The Foreign Ministry is also organizing a contemporaneous alternate "Social Productivity Summit" that will gather GoA-approved small business, NGO, and trade union organizations to promote an evolution of Mercosur away from its customs union roots into a an organization more attuned to social integration. Our Foreign Ministry contacts say they are taking a page from the earlier 2005 Argentine-hosted 2005 Summit of the Americas, where the GoA organized a similar alternative summit. While planning for this Social Productivity Summit has been in the works for months, our Foreign and Economy Ministry contacts note recent pressure from Kirchner administration officials to raise its profile in order to divert public and media attention from anticipated Argentine farmer protests.

Less than Ambitious Mercosur Council Agenda

¶15. (U) The June 30 Mercosur Council agenda will be anchored by a breakfast of member state Finance Ministers and Central Bank Governors, followed by a morning meeting of member state Finance Ministers, Foreign Ministers, and Mercosur Parliament delegates. In the afternoon, there will be an expanded meeting of Finance and Foreign Ministers of Mercosur member and associate member states.

¶16. (C) According to our GoA Economy and Foreign Ministry contacts, the Council agenda will be less than ambitious given the paucity of concrete initiatives moved forward during Argentina's six-month rotating presidency (the Mercosur presidency passes to Brazil at the conclusion of the Summit). They attribute the lack of initiatives arising from Argentina's Mercosur leadership to the GoA's preoccupation with the agricultural sector conflict and regional Venezuela/Colombia/Ecuador tensions (Ref B) which dominated regional leadership's attention. Paraguay's inability to approve any Mercosur measures of substance during its post-election transition will, they note, offer the GoA a convenient cover for a non-substantive Council agenda.

¶17. (SBU) At the Council meeting, Ministers are expected to continue discussions on themes raised at the 34th Summit in Montevideo, including on member asymmetries (and support for "weaker" economies Uruguay and Paraguay) and regional energy integration. An earlier planned adoption of a Mercosur-wide common customs code will not be ratified due to Paraguay's transition status. Communiques will be released approving a Mercosur/Chile services accord that incorporates WTO-plus disciplines and initiating FTA framework negotiations with Jordan and Turkey. In addition, the Council will launch a "Productive Production" program that aims to help both small and big business within Mercosur to integrate and so enhance production chain efficiencies.

¶18. (SBU) A highlight of the Mercosur Council session will be its ratification of the extension of member nation citizen free transit rights to associate member nations. The EU's adoption of the Return Directive harmonizing European immigration norms will also be discussed and a communique released condemning its "discriminatory provisions."

Comment

¶ 9. (C) The Tucuman Mercosur Summit is drawing scant attention from the Argentine press, public, or governing class, all of whom are consumed with the ongoing farm crisis and debate in the legislature to try to find a compromise solution. This is normally the type of event at which President Fernandez de Kirchner likes to display her credentials as an international leader. Domestic events, however, do not lend themselves to such an effort and, with possible farm demonstrations in Tucuman and a side rally being organized by leftist groups starring Hugo Chavez, the President's participation could well be overshadowed.

¶ 10. (C) Mercosur debate of late has been marked by division more often than by consensus and, with the exception of the extension of Mercosur member nation citizen free transit rights to associate member nations and a Mercosur/Chile service sector accord, most of the initiatives to be approved by the Tucuman Mercosur Council appear hortatory. The EU's adoption of the Return Directive, however, has united Mercosur member and associate member states in vocal opposition. They have already issued a statement repudiating the provision's "discrimination" and, by all accounts, the communique to be released at the Summit will be stronger still.

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